



Joint Legislative Audit and Review Commission 2000 Fiscal Impact Review

Bill Number: HB938 as Introduced
Review Requested By: Delegate Cranwell
Chairman of: House Finance

Concur

JLARC Staff concur with the fiscal impact statement referred for review

Concur with Reservations

With the reservations noted below, JLARC staff concur with the fiscal impact statement referred for review

X Non-Concur

As noted below, JLARC staff do not concur with the fiscal impact statement referred for review.

Bill Summary

HB 938 authorizes localities within the Northern Virginia Planning District to impose an additional sales tax of 10 cents on motor vehicle fuels. The increased tax would be imposed only following a majority approval by referendum in the counties and cities comprising the district. The revenue would be distributed to all localities in the district in proportion to the share each locality receives of the total urban and secondary funds allocated to the district and would be used for transportation and transportation-related services and expenditures. HB 938 provides that the ordinance establishing the additional tax would sunset five years after it is adopted, but the sunset date may be extended if approved through referendum.

Fiscal Implications

JLARC staff do not concur with the fiscal impact statements for HB 938 produced by the Department of Taxation and Department of Planning and Budget. This is primarily because JLARC staff estimate that the increase in revenue to the localities in the Northern Virginia Planning District would be at least \$100,000,000 annually, and that this fiscal impact would not occur until FY 2002 and FY 2003.

JLARC staff agree with the Department of Taxation's estimates of administrative costs of \$450,006 in the first year of the tax and \$38,200 in subsequent years. However, JLARC staff estimate that the revenue increase would be over \$100 million annually. This estimate of revenue is significantly higher than Taxation's revenue estimate, primarily because Taxation did not include diesel fuel in its calculations. The tax authorized by HB 938 would apply to both gasoline and diesel sales. Diesel sales accounted for over 20 percent of fuel consumption in Virginia in FY 1999. (The additional revenue from HB 938 would be collected by the State and transferred back to the localities, so the net impact on the State of the additional revenue would be zero.)

The administrative costs and revenues would not likely occur until FY 2002 and FY 2003. This is based on the JLARC staff expectation that the localities could not conduct the necessary referenda votes in time for implementation of the new tax in FY 2001.

Budget Amendment Necessary

Item 281 (Department of Taxation) - Additional \$450,006 in FY 2002 for administrative costs.

Agencies Affected

Taxation - Department of; Treasury - Department of the; Localities in the Northern Virginia Planning

District

Date Released, Prepared By: 02/07/2000; Kimberly Maluski

JLARC Staff offer the above Fiscal Impact Review in Accordance with Item 16K of Chapter 935 (1999 Acts of Assembly).
JLARC Fiscal Impact Reviews do not comment on the merits of the bill under review.